

ELECTRICITY
CONSUMERS
RESOURCE
COUNCIL

John A. Anderson
President & Chief Executive Officer

EXHIBIT 10
DATE 3/23/09
HB 641



The West Tower
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Washington, DC 20005
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Dear Commissioner:

Once again, the concept of "Revenue Decoupling" is being proposed as a means of achieving more efficiency in the electric utility industry. Those who advocate Decoupling accurately observe that when a utility's earnings are based on its sale of power, there is no incentive (in fact, there is a disincentive) for that utility to promote energy efficiency or load reduction programs.

This is an issue that could well come before your Commission in the near future.

Simply put, those who promote Revenue Decoupling want to separate the linkage between how much power a utility generates and delivers and how much revenue it receives. They believe that if the utility's earnings are held constant (*i.e.*, regardless of the level of sales) the utility would then be more likely to promote energy efficiency.

Cynically put, there are two problems with this approach. First, although Decoupling may remove a disincentive, it does not provide any incentive for utilities to promote energy efficiency. Rather, it makes utilities agnostic, in that they will, in essence, be guaranteed a constant earnings level regardless of their behavior. And, second, Decoupling removes any incentive for consumers, large or small, to engage in energy efficiency if such efforts do not result in lower electricity bills. To believe that most consumers will engage undertake conservation or energy efficiency efforts without being rewarded with lower bills is somewhere between counter-intuitive and ludicrous.

ELCON is the national association of large industrial electricity consumers. Our members and other manufacturers have made substantial investments in energy efficiency to enhance their competitiveness in domestic and international markets. They enter into demand response agreements during periods of peak demand. Residential consumers have ample opportunities to engage in conservation and energy efficiency – and many do, thus reducing their electricity bills.

ELCON opposes Revenue Decoupling. As an alternative, we propose the concept of tasking an independent entity, rather than a utility, with managing the energy efficiency function. Several states (NY, WI, NC, and others) have already embraced this approach with positive results.

If you have any questions, feel free to contact me (janderson@elcon.org).

Sincerely,

